



Peterson
Allred
Jackson

TOWN OF HENEFER

FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
JUNE 30, 2005**

**With Comparative Amounts
For June 30, 2004**

▪ Certified Public Accountants
Business Consultants

2100 North Main • North Logan, Utah 84341

TABLE OF CONTENTS

	<u>Page</u>
<u>INTRODUCTORY SECTION:</u>	
Letter of transmittal	4
<u>FINANCIAL SECTION:</u>	
Independent Auditor's Report	8
Management's Discussion and Analysis	10
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	16
Statement of Activities	17
Fund Financial Statements:	
Balance Sheet - Governmental Funds	18
Statement of Revenues, Expenditures, and Changes in	
Fund Balances - Governmental Funds	19
Reconciliation of the Statement of Revenues, Expenditures, and	
Changes in Fund Balances of Governmental Funds to the	
Statement of Activities	20
Statement of Revenues, Expenditures, and Changes in Fund	
Balances - Budget and Actual - General Fund	21
Statement of Net Assets - Proprietary Funds	23
Statement of Revenues, Expenses, and Changes in	
Fund Net Assets - Proprietary Funds	24
Statement of Cash Flows - Proprietary Funds	25
Notes to Financial Statements	26
<u>SUPPLEMENTAL INFORMATION:</u>	
Report on Compliance and Internal Control	38
State Legal Compliance Report	40
Management Letter with Responses	42

INTRODUCTORY SECTION

Henefer Town, Incorporated

"Situated on the Famed Mormon Pioneer and Pony Express Trails"

Box 112 • Henefer, Utah 84033

October 1, 2005

Henefer Town Council
Henefer, Utah

Council:

It is with great pleasure that the financial statements for the Town of Henefer for the year ended June 30, 2005, is presented.

In addition to the fund financial information currently presented in the Town's financial statements, this report includes government-wide financial statements. The government-wide financial statements include a Statement of Net Assets that provides the total net assets of the Town including all capital assets (including infrastructure) and the Statement of Activities that shows the cost of providing government services.

State law requires that all local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. These financial statements are hereby issued and submitted to you for the fiscal year ended June 30, 2005, in accordance with these requirements.

This report consists of management's representations concerning the finances of the Town of Henefer. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management has established an internal control framework that is designed to both protect the assets of the Town from loss, theft, or misuse and to allow for the compiling of sufficient reliable information for the preparation of the Town's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the Town's internal control procedures have been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. To the best of management's knowledge and belief, this financial report is complete and reliable in all material respects.

The Town of Henefer's financial statements have been audited by Peterson Allred Jackson, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Town of Henefer for the fiscal year ended June 30, 2005, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the

overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the Town of Henefer's financial statements for the fiscal year ended June 30, 2005, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

I wish to express my appreciation to all members of the Town who assisted and contributed to the preparation of this report.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Mayor James H. Rees".

Mayor Rees
Town of Henefer

FINANCIAL SECTION

This page intentionally left blank.



Peterson
Allred
Jackson

■ Certified Public Accountants
Business Consultants

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Town Council
Town of Henefer
Henefer, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund, of the Town of Henefer, Utah (the Town), as of and for the year ended June 30, 2005, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund, of the Town, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated October 1, 2005 on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results for our audit.

The Management's Discussion and Analysis on pages 10-14, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Peterson Alfred Jackson

October 1, 2005



MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Henefer, we offer readers of the Town of Henefer's financial statements this narrative overview and analysis of the financial activities of the Town of Henefer for the fiscal year ended June 30, 2005.

FINANCIAL HIGHLIGHTS

- The total net assets of \$3,201,854 is made up of \$2,638,563 in capital assets net of related debt and \$563,291 in other net assets.
- In the Water Fund, new asset additions equaled \$96,040.
- Total long-term liabilities of the Town were reduced by \$35,965.

REPORTING THE TOWN AS A WHOLE

This discussion and analysis is intended to serve as an introduction to the Town of Henefer's basic financials statements. The Town of Henefer's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes other supplementary information in addition to the basic financial statements.

The government-wide financial statements are designed to provide readers with a broad overview of the Town of Henefer's finances, in a manner similar to a private-sector business.

- The statements of net assets presents information on all of the Town of Henefer's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town of Henefer is improving or deteriorating. However, you will also need to consider other nonfinancial factors.
- The statement of activities presents information showing how the Town's net assets changed during the fiscal year reported. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Both of the government-wide financial statements distinguish functions of the Town of Henefer that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

The government-wide financial statements can be found on pages 16 & 17 of this report.

REPORTING THE TOWN'S MOST SIGNIFICANT FUNDS

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Henefer also uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: governmental funds, and proprietary funds.

- Governmental funds - These funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. These fund statements focus on how money flows into and out of these funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps users determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation included with the fund financial statements.

The only major governmental fund (as determined by generally accepted accounting principles) is the General Fund.

- Proprietary funds - The Town of Henefer maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Henefer uses enterprise funds to account for its Water Utility and Waste Water Collection.

As determined by generally accepted accounting principles, all enterprise funds meet the criteria of major fund classification.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town of Henefer, assets exceed liabilities by \$3,201,854.

By far the largest portion of the Town of Henefer's net assets (83%) reflects its investment in capital assets (e.g., land, buildings, infrastructure assets, and machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

STATEMENT OF NET ASSETS

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Current and other assets	\$ 253,861	\$ 211,697	\$368,702	\$ 306,997
Capital assets	<u>516,190</u>	<u>552,834</u>	<u>2,677,151</u>	<u>2,658,107</u>
Total assets	<u>770,051</u>	<u>764,531</u>	<u>3,045,853</u>	<u>2,965,104</u>
Long-term debt outstanding	—	—	554,778	590,743
Other liabilities	<u>45,527</u>	<u>45,479</u>	<u>13,745</u>	<u>5,646</u>
Total liabilities	<u>45,527</u>	<u>45,479</u>	<u>568,523</u>	<u>596,389</u>
Net assets:				
Invested in capital assets, net of debt	516,190	552,834	2,122,373	2,067,364
Restricted	70,632	40,598	91,881	92,119
Unrestricted	<u>137,702</u>	<u>125,620</u>	<u>263,076</u>	<u>209,232</u>
Total net assets	<u>\$ 724,524</u>	<u>\$ 719,052</u>	<u>\$2,477,330</u>	<u>\$2,368,715</u>

CHANGES IN NET ASSETS

	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Revenues:				
Program revenues:				
Charges for services	\$ 30,999	\$ 35,841	\$ 147,760	\$ 146,296
Operating grants & contributions	231	1,194	—	—
Capital grants & contributions	39,165	50,025	84,611	—
General revenues:				
Property taxes	35,307	36,845	—	—
Other taxes	60,121	55,689	—	—
Investment income	505	477	2,322	1,630
Other revenues	<u>567</u>	<u>337</u>	<u>—</u>	<u>—</u>
Total revenues	<u>166,895</u>	<u>180,408</u>	<u>234,693</u>	<u>147,926</u>
Expenses:				
General government	60,672	48,075	—	—
Intergovernmental	4,095	5,353	—	—
Highways/public improvements	38,060	53,974	—	—
Parks & recreation	48,596	42,008	—	—
Water	—	—	78,856	74,782
Waste water	<u>—</u>	<u>—</u>	<u>57,222</u>	<u>47,242</u>
Total expenses	<u>151,423</u>	<u>149,410</u>	<u>136,078</u>	<u>122,024</u>
Increase (decrease) in net assets	15,472	30,998	98,615	25,902
Transfer between funds	<u>(10,000)</u>	<u>—</u>	<u>10,000</u>	<u>—</u>
Increase in net assets after transfer	5,472	30,998	108,615	25,902
Net assets, beginning of year	<u>719,052</u>	<u>688,054</u>	<u>2,368,715</u>	<u>2,342,813</u>
Net assets, end of year	<u>\$ 724,524</u>	<u>\$ 719,052</u>	<u>\$2,477,330</u>	<u>\$2,368,715</u>

FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS

The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements.

As of the June 30, 2005, the Town's governmental fund (General) reported a fund balance of \$208,334. This represents an increase of \$42,116 (25%) over last year's ending balances.

The General Fund is the chief operating fund of the Town. All activities which are not required to be accounted for in separate funds either by state or local ordinance or by a desire to maintain a matching of revenues and expenses are accounted for in this fund.

Taxes continue to be the largest source of revenue in the General Fund and represent 57% of total general fund revenues. The largest element of taxes is sales taxes as it has been for the last several years. It represents 63% of total tax revenues and represents 36% of total general fund revenues. This compares with 31% in the prior fiscal year ended June 30, 2004.

As stated earlier, the Town maintains two enterprise funds to account for the business-type activities of the Town. The separate fund statements included in this report provides the same information for business-type activities as is provided in the government-wide financial statements. However, the difference is that the fund statements provide much more detail.

Significant changes in the governmental funds include an increase in taxes revenue of \$2,894 and a decrease in Class C road funds of \$10,860.

Significant changes in business-type activities include a \$35,965 decrease in debt due to regular principal payments.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the fiscal year the General Fund original budget was amended from an original budget expenditure total of \$170,400 to a final budget of \$174,005 (17%). These increases were made to take advantage of revenues and expenses being higher than originally anticipated for building permit revenues and administration expenses.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets- The Town of Henefer's investment in capital assets for its governmental and business-type activities as of June 30, 2005, amounts to \$3,193,341 (net of accumulated depreciation) infrastructure (streets, sidewalks, etc.), and machinery and equipment. The total decrease in the Town's investment in fixed assets for the current year was .5% (due to depreciation exceeding new purchases).

Major capital asset events during the current fiscal year included the following:

- \$96,040 for Bachelor Canyon improvements.

TOWN OF HENEFER'S CAPITAL ASSETS

	Governmental <u>Activities</u>	Business-type <u>Activities</u>
Land	\$ 191,959	\$ 13,500
Water shares	32,567	277,675
Buildings and improvements	139,070	—
System improvements	—	3,330,095
Infrastructure	556,228	—
Machinery & equipment	115,705	21,400
Less: Accumulated depreciation	<u>(519,339)</u>	<u>(965,519)</u>
Total	<u>\$ 516,190</u>	<u>\$ 2,677,151</u>

Additional information on the Town's capital assets can be found in the footnotes to this financial report.

Long-term debt - At June 30, 2004, the Town had total bonded debt outstanding of \$554,778. Of this amount \$554,778 is debt which is secured solely by specific revenue sources (i.e., revenue bonds).

TOWN OF HENEFER'S OUTSTANDING DEBT

	Business-type <u>Activities</u>
Revenue bonds	\$ 554,778
Total outstanding debt	<u>\$ 554,778</u>

The Town's total debt decreased by \$35,965 during the fiscal year.

Additional information on the outstanding debt obligations of the Town can be found in the footnotes to this report.

This page intentionally left blank.

TOWN OF HENEFER
STATEMENT OF NET ASSETS
JUNE 30, 2005
With Comparative Totals for June 30, 2004

ASSETS	Governmental	Business-type	Totals	
	Activities	Activities	2005	2004
Cash	\$ 144,562	\$ 251,063	\$ 395,625	\$ 331,467
Account receivable	-	17,258	17,258	16,510
Grants receivable		8,500	8,500	-
Taxes receivable	38,667	-	38,667	38,000
Restricted taxes receivable	7,130	-	7,130	11,224
Restricted cash	63,502	91,881	155,383	121,493
Capital assets				
Land	191,959	13,500	205,459	205,459
Water shares	32,567	277,675	310,242	310,242
Buildings and improvements	139,070	-	139,070	137,965
System improvements	-	3,330,095	3,330,095	3,234,055
Infrastructure	556,228	-	556,228	556,228
Machinery & equipment	115,705	21,400	137,105	136,025
Less: Accumulated Depreciation	(519,339)	(965,519)	(1,484,858)	(1,369,033)
Total assets	<u>770,051</u>	<u>3,045,853</u>	<u>3,815,904</u>	<u>3,729,635</u>
LIABILITIES				
Accounts payable	7,527	9,182	16,709	8,271
Interest payable	-	4,563	4,563	4,854
Bonds payable:				
Due within one year	-	35,458	35,458	35,588
Due in more than one year	-	519,320	519,320	555,155
Deferred revenue	38,000	-	38,000	38,000
Total liabilities	<u>45,527</u>	<u>568,523</u>	<u>614,050</u>	<u>641,868</u>
NET ASSETS				
Invested in capital assets, net of related debt	516,190	2,122,373	2,638,563	2,620,198
Restricted for:				
Debt service	-	91,881	91,881	92,119
Roads and town improvements	70,632	-	70,632	40,598
Unrestricted	137,702	263,076	400,778	334,852
Total Net Assets	<u>\$ 724,524</u>	<u>\$ 2,477,330</u>	<u>\$ 3,201,854</u>	<u>\$ 3,087,767</u>

See accompanying notes to the basic financial statements.

TOWN OF HENEFER
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005
With Comparative Amounts for June 30, 2004

	Program Revenues				Business-type Activities	Memorandum Totals	
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions		2005	2004
Governmental activities:							
General government	\$ 60,672	\$ 812	\$ -	\$ -	\$ (59,860)	\$ (59,860)	\$ (46,507)
Intergovernmental	4,095	14,912	-	-	10,817	10,817	12,328
Highways & public improvements	38,060	-	231	39,165	1,336	1,336	(3,755)
Parks, recreation & public property	48,596	15,275	-	-	(33,321)	(33,321)	(24,416)
Total governmental activities	151,423	30,999	231	39,165	(81,028)	(81,028)	(62,350)
Business-type activities:							
Water	78,856	82,345	-	84,611	-	88,100	12,957
Waste water collection	57,222	65,415	-	-	-	8,193	11,315
Total business-type activities	136,078	147,760	-	-	-	96,293	24,272
General Revenues:							
Taxes:							
Property taxes levied for general purposes					35,307	35,307	36,845
General sales taxes & highway sales taxes					60,121	60,121	55,689
Business licenses					567	567	477
Investment income					505	2,827	1,967
Transfers					(10,000)	-	-
Total general revenues & transfers					86,500	98,822	94,978
Change in net assets					5,472	114,087	56,900
Net assets - beginning					719,052	3,087,767	3,030,867
Net assets - ending					\$ 724,524	\$ 3,201,854	\$ 3,087,767

See accompanying notes to the basic financial statements.

TOWN OF HENEFER
GOVERNMENTAL FUNDS TYPE
BALANCE SHEET
JUNE 30, 2005
With Comparative Totals for June 30, 2004

	General	Total Governmental Funds	
		2005	2004
ASSETS			
Cash	\$ 144,562	\$ 144,562	\$ 133,099
Taxes receivable	38,667	38,667	38,000
Restricted assets:			
Cash	63,502	63,502	29,374
Taxes receivable	7,130	7,130	11,224
Total assets	<u>\$ 253,861</u>	<u>253,861</u>	<u>211,697</u>
LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts payable	\$ 7,527	7,527	7,479
Deferred revenue	38,000	38,000	38,000
Total liabilities	<u>45,527</u>	<u>45,527</u>	<u>45,479</u>
Fund Balance:			
Reserved for roads	69,887	69,887	40,084
Reserved for liquor allotment	745	745	514
Unreserved - undesignated	137,702	137,702	125,620
Total fund balance	<u>208,334</u>	<u>208,334</u>	<u>166,218</u>
Total liabilities and fund balance	<u>\$ 253,861</u>		
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		516,190	552,834
Net assets reconciled to the Statement of Activities		<u>\$ 724,524</u>	<u>\$ 719,052</u>

See accompanying notes to the basic financial statements.

TOWN OF HENEFER
GOVERNMENTAL FUNDS TYPE
STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2005
With Comparative Totals for June 30, 2004

	General	Total Governmental Funds	
		2005	2004
Revenues:			
Taxes & special assessments	\$ 95,428	\$ 95,428	\$ 92,534
Licenses and permits	15,479	15,479	18,158
Intergovernmental	39,396	39,396	51,219
Charges for services	15,275	15,275	16,592
Investment income	505	505	337
Miscellaneous	812	812	1,568
Total revenues	166,895	166,895	180,408
Expenditures:			
Current:			
General government	60,731	60,731	48,771
Intergovernmental	4,095	4,095	5,353
Highways & public improvements	10,032	10,032	29,953
Parks, recreation & public property	39,921	39,921	34,331
Total expenditures	114,779	114,779	118,408
Excess of revenues over expenditures	52,116	52,116	62,000
Transfer to other funds	(10,000)	(10,000)	-
Excess of revenues over expenditures after transfer	42,116	42,116	62,000
Fund balances, beginning of year	166,218	166,218	104,218
Fund balances, end of year	\$ 208,334	\$ 208,334	\$ 166,218

See accompanying notes to the basic financial statements.

TOWN OF HENEFER
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2005

Net change in fund balances - total governmental funds \$ 42,116

Amounts reported for governmental activities in the statement of activities differs from the amounts reported in the statement of revenues, expenditures, and changes in fund balance because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

(36,644)

Change in net assets of governmental activities

\$ 5,472

TOWN OF HENEFER
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2005

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUES:				
Taxes:				
General property taxes	\$ 32,300	\$ 32,300	\$ 35,307	\$ 3,007
General sales & use taxes	51,500	56,507	60,121	3,614
Total taxes	83,800	88,807	95,428	6,621
Licenses & permits:				
Business licenses & permits	400	575	567	(8)
Non-business licenses & permits	7,500	20,376	14,912	(5,464)
Total licenses & permits	7,900	20,951	15,479	(5,472)
Intergovernmental revenues:				
Class "C" roads	35,000	37,774	34,165	(3,609)
State liquor allotment	100	100	231	131
State/Local Grants	1,500	5,000	5,000	-
Total intergovernmental revenues	36,600	42,874	39,396	(3,478)
Charges for services:				
Cemetery	8,900	7,400	7,612	212
Parks & recreation	800	500	315	(185)
Rents and concessions	7,500	7,500	7,348	(152)
Total charges for services	17,200	15,400	15,275	(125)
Miscellaneous:				
Interest	300	500	505	5
Other	1,305	1,405	812	(593)
Total Miscellaneous	1,605	1,905	1,317	(588)
Total Revenues	147,105	169,937	166,895	(3,042)

See accompanying notes to the basic financial statements.

TOWN OF HENEFER
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
(CONTINUED)
YEAR ENDED JUNE 30, 2005

	<u>BUDGETED AMOUNTS</u>			<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>FINAL BUDGET</u>
				<u>POSITIVE (NEGATIVE)</u>
EXPENDITURES:				
General government:				
Administration	47,700	58,350	58,079	271
Building & grounds	9,500	9,000	2,652	6,348
Total general government	57,200	67,350	60,731	6,619
Intergovernmental:				
Building inspections	5,600	6,105	4,095	2,010
Total Intergovernmental	5,600	6,105	4,095	2,010
Highways & public improvements:				
Streets	53,800	44,000	10,032	33,968
Total highways & improvements	53,800	44,000	10,032	33,968
Parks, Recreation & Public Property:				
Parks and open spaces	26,500	28,500	13,970	14,530
Recreation	19,000	24,050	22,188	1,862
Cemetery	8,300	4,000	3,763	237
Total parks, recreation & public property	53,800	56,550	39,921	16,629
Total Expenditures	170,400	174,005	114,779	59,226
Net change in fund balance	(23,295)	(4,068)	52,116	56,184
Transfer to other funds	(10,000)	(10,000)	(10,000)	-
Net change in fund balance after transfer	(33,295)	(14,068)	42,116	56,184
Fund Balance at beginning of year	166,218	166,218	166,218	-
Fund Balance at end of year	<u>\$ 132,923</u>	<u>\$ 152,150</u>	<u>\$ 208,334</u>	<u>\$ 56,184</u>

See accompanying notes to the basic financial statements.

TOWN OF HENEFER
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2005
With Comparative Totals for June 30, 2004

	<u>WATER UTILITIES</u>	<u>WASTE WATER COLLECTION</u>	<u>MEMORANDUM TOTALS</u>	
			<u>2005</u>	<u>2004</u>
ASSETS				
Current assets:				
Cash	\$ 153,404	\$ 97,659	\$ 251,063	\$ 198,368
Accounts receivable	10,269	6,989	17,258	16,510
Grant receivable	8,500	-	8,500	-
Restricted cash	46,418	45,463	91,881	92,119
	<u>218,591</u>	<u>150,111</u>	<u>368,702</u>	<u>306,997</u>
Total current assets				
Capital assets				
Land	-	13,500	13,500	13,500
Water shares	277,675	-	277,675	277,675
System improvements	1,649,576	1,680,519	3,330,095	3,234,055
Equipment	10,280	11,120	21,400	21,400
Less Accumulated depreciation	(409,733)	(555,786)	(965,519)	(888,523)
	<u>1,527,798</u>	<u>1,149,353</u>	<u>2,677,151</u>	<u>2,658,107</u>
Total capital assets				
TOTAL ASSETS	<u>1,746,389</u>	<u>1,299,464</u>	<u>3,045,853</u>	<u>2,965,104</u>
LIABILITIES				
Current liabilities:				
Accounts payable	8,504	678	9,182	792
Interest payable	4,088	475	4,563	4,854
	<u>12,592</u>	<u>1,153</u>	<u>13,745</u>	<u>5,646</u>
Total current liabilities				
Long-term liabilities:				
Bonds payable - due within a year	12,458	23,000	35,458	35,588
Due in more than one year	443,320	76,000	519,320	555,155
	<u>455,778</u>	<u>99,000</u>	<u>554,778</u>	<u>590,743</u>
Total long -term liabilities				
Total liabilities	<u>468,370</u>	<u>100,153</u>	<u>568,523</u>	<u>596,389</u>
NET ASSETS				
Invested in capital assets, net of related debt	1,072,020	1,050,353	2,122,373	2,067,364
Restricted	46,418	45,463	91,881	92,119
Unrestricted	159,581	103,495	263,076	209,232
	<u>\$ 1,278,019</u>	<u>\$ 1,199,311</u>	<u>\$ 2,477,330</u>	<u>\$ 2,368,715</u>
Total net assets				

See accompanying notes to the basic financial statements.

TOWN OF HENEFER
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2005

With Comparative Totals for June 30, 2004

	WATER UTILITIES	WASTE WATER COLLECTIONS	MEMORANDUM TOTALS	
			2005	2004
OPERATING REVENUES:				
Charges for services	\$ 76,345	\$ 57,415	\$ 133,760	\$ 132,596
Other operating revenues	6,000	8,000	14,000	13,700
Total operating revenues	82,345	65,415	147,760	146,296
OPERATING EXPENSES				
Salary and wages	3,538	8,549	12,087	11,102
Other operating expenses	-	2,346	2,346	3,274
Supplies	11,521	10,382	21,903	9,049
Depreciation	42,076	34,920	76,996	74,783
Total operating expenses	57,135	56,197	113,332	98,208
Operating income	25,210	9,218	34,428	48,088
NON-OPERATING REVENUES (EXPENSES)				
Interest income	1,132	1,190	2,322	1,630
CDBG grant	84,611	-	84,611	-
Interest charges	(21,721)	(1,025)	(22,746)	(23,816)
Total non-operating revenue (expense)	64,022	165	64,187	(22,186)
Change in net assets	89,232	9,383	98,615	25,902
Transfer from other funds	10,000	-	10,000	-
Change in net assets after transfer	99,232	9,383	108,615	25,902
Total net assets - beginning	1,178,787	1,189,928	2,368,715	2,342,813
Total net assets -ending	\$ 1,278,019	\$ 1,199,311	\$ 2,477,330	\$ 2,368,715

See accompanying notes to the basic financial statements.

TOWN OF HENEFER
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2005
With Comparative Totals for June 30, 2004

	WATER UTILITIES	WASTE WATER COLLECTIONS	MEMORANDUM TOTALS	
			2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 82,001	\$ 65,011	\$ 147,012	\$ 146,304
Payments to suppliers	(11,935)	(12,715)	(24,650)	(12,581)
Payments to employees	(3,538)	(8,549)	(12,087)	(11,102)
Net cash provided (used) by operating activities	66,528	43,747	110,275	122,621
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases of system improvements	(96,040)	-	(96,040)	-
Proceeds from capital grant	84,611	-	84,611	-
Transfer from other funds	10,000	-	10,000	-
Principal paid on capital debt	(12,965)	(23,000)	(35,965)	(34,309)
Interest paid on capital debt	(21,721)	(1,025)	(22,746)	(23,816)
Net cash provided (used) by capital and related financing activities	(36,115)	(24,025)	(60,140)	(58,125)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	1,132	1,190	2,322	1,630
Net increase (decrease) in cash and cash equivalents	31,545	20,912	52,457	66,126
Cash and equivalents at beginning of year	168,277	122,210	290,487	224,361
Cash and equivalents at end of year	\$ 199,822	\$ 143,122	\$ 342,944	\$ 290,487
Reconciliation of operating income to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 25,210	\$ 9,218	\$ 34,428	\$ 48,088
Adjustments to reconcile net income from operations to net cash provided by operating activities:				
Depreciation	42,076	34,920	76,996	74,783
Changes in assets & liabilities:				
Decrease (increase) in receivables	(8,844)	(404)	(9,248)	8
Increase (decrease) in accruals	8,086	13	8,099	(258)
Total adjustments	41,318	34,529	75,847	74,533
Net cash provided (used) by operating activities:	\$ 66,528	\$ 43,747	\$ 110,275	\$ 122,621

See accompanying notes to the basic financial statements.

TOWN OF HENEFER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

Note 1: Summary of significant accounting policies

Reporting entity

The basic financial statements of the Town have been prepared in conformity with generally accepted accounting principles (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing accounting and financial reporting principles.

Financial reporting is based upon all GASB pronouncements, as well as the FASB Statements and Interpretations, APB Opinions and Accounting Research Bulletins that were issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements. FASB pronouncements issued after November 30, 1989 are not followed in the preparations of the accompanying financial statements.

Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Town. Interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those which are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate fund financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement focus, basis of accounting, and financial statement presentation.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The Town applies expenses for restricted resources first when both restricted and unrestricted net assets are available.

The use of financial resources to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term debt of the Town are reported as a reduction of the related liability, rather than an expenditure in the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt-services expenditures, as well as expenditures related to compensated absences and claims and judgements, are recorded only when payment is due.

Sales taxes, franchise taxes, and earned but unreimbursed state and federal grants associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenues are considered to be measurable and available only when cash is received by the Town.

The Town reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except for those required to be accounted for in another fund.

The Town reports the following major proprietary funds:

The Water Utility accounts for the activities of the Town's water production, treatment, and distribution operations.

The Waste Water Collection fund accounts for the operation and maintenance of the Town owned collection system for wastewater.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of all enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds includes the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Fixed assets and long-term liabilities

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an individual cost of more than \$1,000 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated.

Depreciation of all exhaustible fixed assets used is charged as an expense against their operations. Accumulated depreciation is reported on the financial statements. Depreciation has been provided over the estimated useful lives using the straight line method. The estimated useful lives are as follows:

Water and sewer system improvements	40-50 years
Buildings	20-30 years
Machinery and equipment	5-10 years
Roads and infrastructure	20 years
Improvements other than buildings	20 years

Property Tax

Summit County assesses all taxable property other than centrally-assessed property, which is assessed through the state, by May 22 of each year. The Town should adopt a final tax rate prior to June 22, which is then submitted to the state for approval. Property taxes are due on November 30. Delinquent taxes are subject to a penalty of 2% or \$10.00, whichever is greater. After January 16 of the following year, delinquent taxes and penalty bear interest at 6% above the federal discount rate from January 1 until paid.

Property taxes attach as an enforceable lien on property as they become delinquent. All unpaid taxes levied during the year become delinquent December 1 of the current year.

Property tax revenues are recognized when they become measurable and available. Amounts available include those property tax receivables expected to be collected within sixty days after year end.

Budgets

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual budgets are adopted for governmental and proprietary fund types. Encumbrance accounting is not employed by the Town in its governmental funds, therefore all annual appropriations lapse at fiscal year end. Project-length financial plans are adopted for all capital project funds.

The Town can make adjustments to the adopted budget through public hearings. During the fiscal year, the Town made budget adjustments through a public hearing.

Capitalized Interest

The Town capitalizes interest costs and interest earned as part of the cost of constructing various buildings, sewer, and water projects when material. Interest is only capitalized in proprietary activities.

Statement of Cash Flows

For the purposes of the Statement of Cash Flows, the business-type activities considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Reconciliation of government-wide and fund financial statements

A. Explanation of certain differences between the governments fund balance sheet and the government-wide statement of net assets.

The governmental fund balance sheet includes a reconciliation between total governmental fund balances and net assets of governmental activities as reported in the government-wide statement of net assets. These differences primarily result from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental fund balance sheets.

Capital related items:

When capital assets (property, plant, & equipment) that are to be used in governmental activities are purchased or constructed, the cost of those assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets among the assets of the Town as a whole.

Cost of capital assets	\$1,035,529
Accumulated depreciation	<u>(519,339)</u>
Total difference	<u>\$ 516,190</u>

B. Explanation of differences between governmental fund operating statements and the statement of net activities.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. The first element of this reconciliation states that capital outlays are reported in the governmental funds as expenditures while the government-wide statement of activities allocates these costs over the useful lives of the assets as depreciation. While shown in the reconciliation as the net difference, the elements of this difference are as follows:

Capital outlay	\$ 2,185
Depreciation expense	<u>(38,829)</u>
Net difference as reported	<u>\$(36,644)</u>

Note 2: Legal Compliance - Budgets/Statutory

On or before the first scheduled council meeting in May, all agencies of the Town submit requests for appropriation to the Town's financial officer so that a budget may be prepared. The budget is prepared by fund, function, and activity, and includes information on the past year, current year estimates, and requested appropriations for the next fiscal year.

The proposed budget is presented to the Town council for review at the first scheduled meeting in May. The Town council holds public hearings and may add to, subtract from, or change appropriations, but may not change the form of the budget. Any changes to the budget must be within the revenues and reserves estimated as available by the Town financial officer or the revenue estimates must be changed by an affirmative vote of a majority of the Town council. Within 30 days of adoption, the final budget must be submitted to the State Auditor. If there is no increase to the certified tax rate, a final tax rate is adopted by June 22 and adoption of budgets is done similarly.

State statute requires that Town officers shall not make or incur expenditures or encumbrances in excess of total appropriations for any department in the budget as adopted or subsequently amended.

Note 3: Cash

The Town meets the requirements of the Utah Money Management Act (Utah Code Annotated 1953, Section 541, Chapter 7) in handling its depository and temporary investment transactions. This law requires the depositing of Town funds in a "qualified depository". The Act defines a "qualified depository" as any financial institution whose deposits are insured by an agency of the Federal government and which has been certified by the Utah Commissioner of Financial Institutions as meeting the requirements of and adhering to the rules of the Utah Money Management Council.

The Money Management Act also defines the types of securities allowed as appropriate temporary investments for the Town and the conditions for making investment transactions. Investment transactions are to be conducted through qualified depositories or primary reporting dealers. All cash and investment accounts are insured, registered, or held by the Town or its agent in the Town's name.

Cash balances are deposited in financial institutions which are insured by the FDIC. Balances at June 30, 2005 include deposits of \$350,633 that are not insured by FDIC and accounts are as follows:

	<u>Carrying Amount</u>	<u>Bank Balance</u>	<u>Fund</u>
Cash:			
Zion's First National-checking	\$ 360,445	\$ 362,141	Pool

Savings consists of certificates of deposit, savings and money market accounts in Zion's First National Bank. The funds were in compliance with the Money Management Act.

<u>Description</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>	<u>Fund</u>
Savings:			
Zion's First National - money market	\$ 190,563	\$ 190,563	Pool

Note 4: Accounts receivable

Henefer Town had accounts receivable as of June 30, 2005 as follows:

Sewer services	\$ 7,869	
less allowance for bad debt	<u>(880)</u>	
Total sewer		\$ 6,989
Water services	11,204	
less allowance for bad debt	<u>(935)</u>	
	10,269	
CDBG grant	<u>8,500</u>	
Total water		<u>18,769</u>
Total proprietary receivable		<u>\$25,758</u>

Note 5: Restricted assets

The total restricted assets on the balance sheet are comprised of the following cash and receivables:

General fund:

Cash - liquor allotment	\$ 745
Cash - Class C	62,757
Accounts receivable - Class C	<u>7,130</u>

Total general fund \$ 70,632

Water fund:

Cash - 1993A revenue bond sinking	\$ 9,622
Cash - 1993A revenue bond reserve	13,140
Cash - 1993B revenue bond sinking	1,816
Cash - 1993B revenue bond reserve	<u>21,840</u>

Total water fund \$ 46,418

Sewer fund:

Cash - 1974 bond sinking/ reserve	\$ 5,463
Cash - 1988 revenue bond sinking	10,000
Cash - 1988 revenue bond reserve	20,000
Cash - 1988 bond repair and replacement reserve	<u>10,000</u>

Total sewer fund \$ 45,463

Note 6: General fixed assets

General fixed asset changes occurring for the year ended June 30, 2005 are as follows:

	Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005
Land:				
Land	\$ 191,959	\$	\$	\$ 191,959
Buildings:				
Buildings	17,525			17,525
Improvements other than buildings:				
Parks	110,440	1,105		111,545
Cemetery well	10,000			10,000
Total improvements other than buildings	120,440	1,105		121,545
Furniture, fixtures and equipment:				
Equipment	29,434			29,434
Vehicles	8,840			8,840
Office equipment	14,171			14,171
Recreation equipment	62,180	1,080		63,260
Total furniture fixtures and equipment	114,625	1,080		115,705
Other assets:				
Water shares	32,567			32,567
Infrastructure	556,228			556,228
Subtotal	1,033,344	2,185		1,035,529
Less: accumulated depreciation	(480,510)	(38,829)		(519,339)
Total assets	\$ 552,834	\$ (36,644)	\$	\$ 516,190

Depreciation expense was charged to the governmental functions as follows:

General government	\$ 1,046
Streets	28,009
Public safety	19
Parks and recreation	9,755
Total depreciation expense	\$ 38,829

Note 7: Changes in long-term debt

The following is a summary of long-term debt transactions of the Town's proprietary fund types for the year ended June 30, 2005:

Bonds payable at July 1, 2004	\$ 590,743
Less: regular payment of principal	(35,965)
Bonds payable at June 30, 2005	\$ 554,778

Bonds and notes payable at June 30, 2005 are comprised of the following individual issues:

\$65,000 sewer revenue bonds due to the Farmer's Home Administration in variable annual installments ranging from \$3,150 to \$4,025 including interest at 5%. Payments of interest and principal are made from the sinking fund annually on January 1. The principal and interest will be retired on January 1, 2011.	\$ 19,000
\$400,000 sewer non-interest bearing revenue bonds due to the Water Pollution Control in annual installments of \$20,000. The principal will be retired on January 1, 2009.	<u>80,000</u>
Total sewer bonds payable	<u>99,000</u>
\$209,226 water revenue bonds due to the Permanent Community Impact Board in variable annual installments ranging from \$12,225 to \$13,140 including interest at 3.5%. Payments of interest and principal are made from the sinking fund annually on October 1. The principal and interest will be retired on October 1, 2018.	138,000
\$363,900 water revenue bonds due to the Farmers Home Administration. Payments of principal and interest at 5.25% are due on the 10th of each month in the amount of \$1,816. The principal and interest will be retired on September 10, 2034.	<u>317,778</u>
Total water bond payable	<u>455,778</u>
Total bonds payable	<u>\$ 554,778</u>

The following is a summary of annual bond maturities and interest requirements:

<u>Year Ending</u> <u>June 30</u>	<u>Debt</u> <u>Outstanding</u>
2006	\$ 58,572
2007	58,142
2008	57,424
2009	58,782
2010	38,292
2011 - 2015	175,550
2016 - 2020	159,055
2021 - 2026	108,960
2027 - 2031	108,960
2032 - 2035	<u>84,547</u>
Total	908,284
Less Interest	<u>(353,506)</u>
Outstanding Principal	<u>\$ 554,778</u>

Note 8: Insurance and bond coverage

During the 2004-2005 fiscal year, the Town of Henefer has insurance and bonding coverage as follows:

<u>Description</u>	<u>Issuer/Policy</u>	<u>Limits</u>	<u>Expiration Date</u>
Insurance:			
Comprehensive general liability	Utah Local Gov. Trust (11670-GL234)	\$2,000,000	Continuous
Auto liability	Utah Local Gov. Trust (11670-GL234)	2,000,000	Continuous
Building Property	Unigard (PX809764)	468,900 5,279	7-01-05
Auto physical damage	Unigard Ins. Company (BA900004)	15,000	7-01-05
Treasurer's bond	Hartford Insurance Co. (34BSBBF0549)	50,000	9-01-05
Position schedule bond Mayor, Clerk, Council member	Hartford Insurance Co. (34BPEAW0380)		7-07-05
		40,000 each	

Note 9: Memorandum totals

Total columns on the financial statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or changes in financial position in conformity with generally accepted accounting principles. Neither are such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

Note 10: Utility users and rates

The Town of Henefer sewer utility fund services both residential and commercial users. As of June 30, 2005, sewer and water users were categorized as follows:

	<u>Sewer</u>	<u>Water</u>
Residential	241	253
Commercial	<u>10</u>	<u>10</u>
Total	<u>251</u>	<u>263</u>

Utility rates as of June 30, 2005 were as follows:

	<u>Active</u>	<u>Inactive (vacant dwellings)</u>
Water Rates:		
Standard monthly services	\$22.00	\$10.00
Excess of 25,000 - 50,000 gallons (per 1,000 gallons)	\$ 1.00	
Over 50,000 gallons	\$ 1.50	
Sewer Rates:		
Standard monthly services	\$20.00	\$ 7.00

Note 11: Segment information

The following information is presented for the utility funds of Henefer Town:

	<u>Balance July 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2005</u>
<u>Water fund:</u>				
Fixed assets	\$ 1,841,491	\$ 96,040	\$	\$ 1,937,531
Accumulated depreciation	367,657	42,076		409,733
<u>Sewer fund:</u>				
Fixed assets	1,705,139			1,705,139
Accumulated depreciation	520,866	34,920		555,786

Net working capital for the utility funds are calculated as follows:

	<u>Water Fund</u>	<u>Sewer Fund</u>
Current Assets:		
Cash	\$ 199,822	\$ 143,122
Receivables	18,769	6,989
Less Current Liabilities:		
Accounts payable	(12,592)	(1,153)
Current portion of long-term debt	<u>(12,458)</u>	<u>(23,000)</u>
Net Working Capital	<u>\$ 193,541</u>	<u>\$ 125,958</u>

Note 12: Reserved fund equity

Amounts reported on the combined balance sheet identified as reserved fund balance and reserved retained earnings are comprised of the following:

General fund:

Reserved - liquor	\$ 745
Reserved - Class C roads	<u>69,887</u>

Total General	<u>\$ 70,632</u>
---------------	------------------

Water fund (retained earnings):

Reserved - sinking/reserve requirements	<u>\$ 46,418</u>
---	------------------

Total Water	<u>46,418</u>
-------------	---------------

Sewer fund (retained earnings):

Reserved - sinking/reserve requirements	<u>45,463</u>
---	---------------

Total Sewer	<u>45,463</u>
-------------	---------------

Total Enterprise	<u>\$ 91,881</u>
------------------	------------------



Peterson
Alfred
Jackson

▪ Certified Public Accountants
Business Consultants

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Honorable Mayor and Town Council
Town of Henefer
Henefer, Utah

We have audited the financial statements of the Town of Henefer, Utah (the Town) as of and for the year ended June 30, 2005, and have issued our report thereon dated October 1, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the Town Council and management, and certain legislative bodies. However, this report is a matter of public record and its distribution is not limited.

Peterson Allred Jackson

October 1, 2005



Peterson
Allred
Jackson

▪ Certified Public Accountants
Business Consultants

INDEPENDENT AUDITOR'S REPORT ON STATE LEGAL COMPLIANCE

Honorable Mayor and Town Council
Town of Henefer
Henefer, Utah

We have audited the financial statements of the Town of Henefer, Utah (the Town) for the year ended June 30, 2005, and have issued our report thereon dated October 1, 2005. As part of our audit, we have audited the Town's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; special test and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2005. The Town received the following major State assistance programs from the State of Utah:

B & C Road Funds (Department of Transportation)
Liquor Law Enforcement (State Tax Commission)

The Town did not receive any nonmajor grants.

Our audit also included test work on the Town's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

Public Debt
Cash Management
Purchasing Requirements
Budgetary Compliance
Truth in Taxation & Property Tax Limitations

Justice Courts
B & C Road Funds
Liquor Law Enforcement
Other General Issues

The management of the Town is responsible for the Town's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed no instances of noncompliance with the requirements referred to above.

In our opinion, the Town of Henefer, Utah, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2005.

Peterson Alfred Jackson

October 1, 2005



Peterson
Allred
Jackson

▪ Certified Public Accountants
Business Consultants

October 1, 2005

Mayor James A. Rees
Town of Henefer
Henefer, Utah

Dear Mayor Rees:

In planning and performing our audit of the financial statements of the Town of Henefer, Utah (the Town) for the year ended June 30, 2005, we developed the following recommendations concerning certain matters related to internal control structure (other than "reportable conditions") and certain administrative and operating matters. These recommendations resulted from our observations made in connection with our audit of the Town's financial statements for the year ended June 30, 2005 and are not based on a special study. Our comments and principal recommendations are summarized below.

PRIOR YEAR FINDINGS

Finding: Documentation. In some instances payments for expenses are being based on statement amounts instead of detailed invoices.

Recommendation: All payments should be documented with complete, detailed invoices.

Management response: All payments will be made from detailed invoices.

Status: All tested disbursements were supported by invoices or receipts.

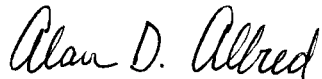
CURRENT YEAR FINDINGS

No current year findings.

In conclusion, we wish to recognize all town personnel and administrators for their excellent service provided to the Town of Henefer. We would especially like to recognize LaNae Ovard, who has been most cooperative in assisting us in accomplishing the audit for the 2005 fiscal year. We also would like to recognize the Mayor and Council for their dedicated efforts in behalf of the Town. The performance of the Town of Henefer annual audit has been an enjoyable experience for us, and we would like to thank the Town for the opportunity to serve you.

Very truly yours,

PETERSON ALLRED JACKSON

A handwritten signature in cursive script that reads "Alan D. Allred".

Alan D. Allred, CPA